Programme: - PGDM (IB)

Subject: - International Strategic Management (IB-405)

Batch: - 2013-15

Trimester – IV, End – Term Examination: September 2014

Time allowed: 2 Hrs. 30 Min.

Max Marks: 50

Roll No: --------------------

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No. will be treated as Unfair Means. In case of rough work please use answer sheet.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks each	15
		Total Marks	**50**

SECTION – A **(5 marks)**

Q-1: What do you understand by "the five forces model"? Explain with the help of diagram.

Q-2: Explain the terms "Competitive Advantage" and Core Competency.

Q-3. What are the generic strategies available to a business? Explain briefly.

Q-4. What is meant by "international / global business strategy"? Explain with the help of diagram.

Q-5. How does the cost structure differ for "conventional technology" vis-a-vis "new/emerging technology?

SECTION – B **(10 marks)**

Q-1. The auto industry has many firms, two of which are MARTY Zuzukey and CNX. Public data available about them shows the following:

S.N.	Item	MZ	CNX
1.	Market share	40%	5%
2.	Number of Models	10	3
3.	Average price/Models	Rs 5.0lacs	Rs 25.0lacs
4.	Number of plants	Two	one (Assembly only)
5.	Number of Showrooms	800 nos	72 nos
6.	Profit / Sale %	8%	15%

Based on these data, answer the following questions:

a. What generic strategy is being followed by both firms? Support your answer with data.
b. Is the strategy of each firm sustainable in the long-run? Support your answer with arguments.
c. You have just taken over as CEO of CNX and want to attack the market share of MZ, to increase your own. What steps will you take? Why?

Q-2. What kind of structure, controls, and culture would you be likely to find in (a) a small manufacturing company, (b) a chain store, (c) a high-tech company, and (d) a big consulting and accounting firm?

Q-3. Licensing proprietary technology to foreign competitors is the best way to give up a company's competitive advantage. Discuss.

SECTION – C **(15 marks)**

Q-1. The rapid pace at which the world is changing is forcing strategic managers at all kinds of companies to speed up their decision making; otherwise they get left behind by agile competitors who respond faster to changing customer fads and fashion. Nowhere is this truer than in the global toy industry, in which the doll business, worth more than $10billion a year in sales, vicious combat is raging. The largest global toy company, Mattel, has earned tens of billions of dollars from the world's best- selling doll, Barbie, since it introduced her almost 50 years ago. Mothers who played with the original dolls bought them for their daughters and granddaughters and Barbie became an American icon. However, Barbie's advantage as bestselling global doll led Mattel's managers to make major strategic errors in the 2000s.

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Barbie and all Barbie accessories accounted for almost 50% of Mattel's toy sales in 1990s, so protecting its star product was crucial. The Barbie doll was created in the 1960s when most women were home makers; her voluptuous shape was a response to a dated view of what the "ideal" woman should look like. Barbie continuing success, however, led Bob Eckert, Mattel's CEO, and his top managers to underestimate how much the world had altered. Changing cultural views about the role of girls, woman, sex, marriage and woman working in the last decades shifted the tastes of doll buyers. But Mattel's managers continued to bet on Barbie's eternal appeal and collectively bought into an "if it's not broken, don't fix it" approach. In fact, given that Barbie was the best-selling doll, they thought it might be very dangerous to make major change to her appearance; customers might not like the product development change and stop buying her. Mattel's top managers decided not to rock the boat; they left the brand and business model unchanged and focused their efforts on developing new digital kinds of toys.

As a result, Mattel was unprepared when a challenge came along in the form of a new kind of doll, the Bratz doll, introduced by MGA Entertainment. Many competitors to Barbie had emerged over the years, and the doll business is highly profitable, but no other doll had matched Barbie's appeal to young girls (or their mothers). The marketeer's and designers behind the Bratz line of dolls had spent a lot of time to discover what the new generation of girls, especially those aged 7-11, wanted from a doll, however, it turned out that the Bratz doll they designed met the desire of these girls. Bratz dolls have larger heads, oversized eyes, wear lots of makeup, short dresses, and are multicultural to give each doll "personality and attitude." The dolls were designed to appeal to a new generation of girls brought up in a fast-changing fashion, music and television market/ age. The Bratz dolls met the untapped needs of "tween" girls, and the new line took off. MGA quickly licensed the rights to make and sell the doll to toy companies overseas, and Bratz quickly became a serious competitor to Barbie.

Mattell was in trouble. Its strategic managers had to change its business model and strategies and bring Barbie up to date; Mattel's designers must have been wishing they had been adventurous and made more radical changes earlier when they did not need to change. However, they decided to change Barbie's "extreme" vital statistic; killed off her old time boyfriend Ken and replaced him with Blaine an Aussie surfer. They also recognized they had waited much too long to introduce new lines of dolls to meet the changed needs of tweenes and older girls in the 2000s. they rushed out the " My Scene" line of dolls in 2002, which were obvious imitations of Bratz dolls, this new line has not matched the popularity of Brstz dolls. Mattel also introduced a new line called Flava in 2003 to appeal to even younger girls, but this line flopped completely. At the same time, the decisions that they made to change Barbie and her figure, looks, clothing, and boyfriends came too late, and sales of Bsrbie dolls continued to fall.

By 2006, sales of the Barbie collection had dropped by 30%. This was serious because Mattel's profits and stock price hinged on Barbie's success and they both plunged. Analysts argue that Mattel had not paid enough attention to its customers' changing needs or moved quickly to introduce the new and improved products necessary to keep a company on top of its market. Mattel brought Ken back in 2006, but in recognition of its mounting problems in November 2006, Mattel's lawyers filed suit against MGA Entertainment. They argued that the Bratz dolls' copyright rightfully belonged to them. Mattel complained that the head designer of Bratz was a Mattel employee when he made the initial drawings for the dolls and that they had applied for copyright protection on a number of early Bratz drawing. In addition, they claim that MGA hired key Mattel employees away from the firm, and these employees "stole" sensitive sales information and transferred it to MGA. In 2008, a judge ruled in Mattel's favor and ordered MGA to stop using the Bratz name; the case was still under appeal in 2009.

CASE QUESTIONS:

a. What business model and strategies made Mattel the industry leader?
b. What strategies have its rival, MGA, pursued that have threatened its competitive position?
c. What new strategies does Mattel need to pursue to regain its competitive advantage?

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